

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-008-G - ORDER NO. 97-858
OCTOBER 9, 1997

/mr

IN RE: United Cities Gas Company -)	ORDER
Annual Review of Purchased Gas)	APPROVING
Adjustment and Gas Purchasing)	FINDINGS
Policies)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on annual review of the Purchased Gas Adjustment (PGA) and gas purchasing policies of United Cities Gas Company, an Operating Division of Atmos Energy Corporation (United Cities or the Company).

By letter, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. The Company was instructed to directly notify all of its customers affected. The Company submitted affidavits indicating that it had complied with these instructions. A Petition to Intervene was received from the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

Pursuant to our prefiling Order, testimony and exhibits

were prefiled by both the Company and the Commission Staff. On October 7, 1997, we held that the Commission's weekly agenda meeting would constitute the hearing in this matter, since both the Company and the Consumer Advocate were in agreement with the Staff Report in this matter, and there appeared to be no issues in controversy. We hereby establish a record in this case by allowing all testimony into the record, and admitting all hearing exhibits as submitted into the record. Therefore, we will analyze and summarize the testimony, and make our conclusions accordingly.

Company witness Mark A. Martin testified that United Cities serves approximately 5,300 customers in Gaffney, South Carolina. Natural gas sales to industrial customers account for almost 75% of total company sales in South Carolina. Approximately 42% of this 75% is subject to alternate fuel switching. The remainder of the Company's sales is to residential and small commercial customers.

Martin described the Company's "best cost" purchasing policy. This is stated by United Cities to be the purchase of the least expensive gas available considering the need for security of supply and flexibility to meet the needs of the Company's various customer classes. Martin testified that this policy has been approved in all prior Commission PGA reviews of United Cities, and that, in his opinion the Company's purchasing policies are still reasonable and prudent.

Martin also described the Company's PGA. The Company's current PGA Rider was last amended by the Commission in Order No.

94-1126 in Docket No. 94-009-G. United Cities recovers its gas cost entirely through the PGA. The computation of the PGA is the Company's projected, annualized gas cost divided by total throughput, plus some additional calculations. Martin states that the Company has been applying the PGA and recording gas costs in compliance with the Commission's previous Orders, and, further, is not proposing any changes in its PGA Rider in this proceeding.

Public Utilities Accountant Norbert Thomas testified on behalf of the Commission Staff. After detailing in his written testimony his financial examination of PGA matters, he reached several conclusions. Thomas stated that the balance of June 30, 1997 of (\$341,387) is accurately stated and fairly represents the over-collection by the Company for the twelve months ended June 30, 1997. The proposed decrements, including Commodity of (\$0.0208) for Firm customers and (\$0.0157) for Optional customers should return the over-collection to ratepayers during the 12-month period beginning November 1, 1997.

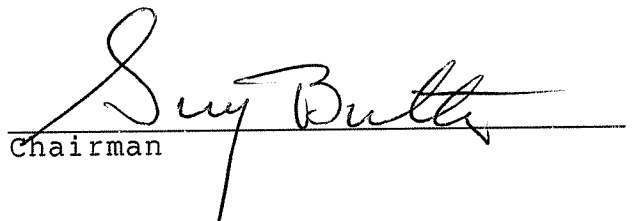
Brent Sires, Utilities Rates Analyst with the Commission, also testified. Sires concluded that, after a review of the Company's current purchasing policies, that United Cities has continued its attempts to obtain the best terms available in its negotiations with suppliers and in proceedings with the Federal Energy Regulatory Commission (FERC), and that the Company is acting prudently in securing gas supplies to meet the requirements of all of its customers. Sires stated the Utilities Department's

recommendation is that the Company continue to examine its firm supply capabilities with regard to future growth on its system as well as incorporating the changes that Local Distribution Companies are experiencing as the gas industry progresses further into the Order 636 era. Sires also elaborated on the above-discussed balancing adjustment, and described the impact that it would have on billed rates to the Company's customers.


We have examined the testimony and exhibits in this case, and have come to several conclusions. First, the Company's gas purchasing practices and policies are hereby found to be prudent. Second, no changes are needed in the Gas Cost Recovery Procedures of United Cities, and the present procedures shall continue. Third, we approve a balancing adjustment of (\$0.0208) per therm applicable to firm customers and (\$0.0157) per therm applicable to optional or interruptible customers for the next review period, which shall be effective with the first billing cycle in November 1997.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)